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Montgomery Faces Divide Over Surging Home Values

Property Tax Rate Cut, Higher Spending Studied

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With assessments soaring to record levels, Montgomery County leaders are preparing for a political battle this spring over whether to cut the property tax rate or use the additional revenue to support an increasingly strained network of government services.

The emerging debate will pose critical questions. How much are Montgomery residents willing to pay to sustain the services that have helped escalate the value of their homes? And does the middle class have a future in a place with such steadily growing tax burdens and housing costs?

"Our challenge is to recognize the fact that disposable incomes are not increasing at the same rate as assessments," said County Council member Nancy Floreen (D-At Large). "This is a valuable place to live. We have great schools and great services, but it comes at a cost, and we have to keep limits on that cost."

Although the county's budget has grown by \$1 billion in the past seven years, officials and community leaders say the dollars are not keeping pace with needs.

Last month, Montgomery schools requested an additional \$109 million to reduce class sizes, improve special education and continue the expansion of all-day kindergarten. A recent study concluded

County Council to Decide Tax Cut, Spending Debate

MONTGOMERY, From B1

that the county's Fire and Rescue Service is chronically underfunded. County Executive Douglas M. Duncan (D) has proposed spending an additional several million dollars to help residents obtain health care or affordable housing.

A survey last month found that the county's social services network, struggling with a growing population of lower-income residents and newly arrived immigrants, has hundreds on waiting lists. Eliminating that backlog would cost about \$5 million annually, officials estimate.

"The list of needs is endless," said council member George L. Leventhal (D-At Large).

As county spending grows, so have frustrations over the cost of local government.

"People who have lived in their homes all of their life are now starting to realize they can't afford to live in their home," said Cary Lamari, past president of the Montgomery County Civic Federation.

The latest shock came last week, when a third of county homeowners saw an average 69 percent increase in their assessments.

Although state law limits yearly increases in tax bills to 10 percent, the most recent assessments could cause the average homeowner's property taxes to double in seven years if the rate was not reduced.

Property taxes represent about a third of the county's revenue. Income taxes, a series of other levies—on real estate sales and energy—and various fees make up the balance.

The new assessments, which added \$22 billion in property value to the county's portfolio, are spurring calls for a substantial

decrease in the property tax rate (now \$1.06 per \$100 of assessed value) when the council takes up the budget this spring.

Last month, Floreen cobbled together a slim majority to approve a nonbinding recommendation that the council and Duncan reduce the property tax rate by 5.5 cents in the budget for fiscal 2006, which begins July 1.

If implemented, it would mean that for the first time in four years the council would adhere to a voter-imposed charter amendment that places a cap on property taxes.

The reduction would save the owner of a \$300,000 home about \$165 on the tax bill—but also drain about \$65 million from the budget.

Floreen was joined by council Democrats Michael Knapp (Upcounty), Phil Andrews (Gaithersburg), Marilyn Praisner (Eastern County) and Michael L. Subin (At Large).

Leventhal indicated that he could support a 2.8-cent tax rate cut but that he was not willing to cut all the way to the charter limit.

The charter amendment, approved by voters in 1990, states that the county can collect property taxes equal only to the previous year's total, plus inflation and the value of new construction.

Seven of nine council members can, however, vote to override that limit, an option the council has exercised for the past three years, citing a sluggish economy and cuts in state aid. Last year, the council cut the property tax rate by 1 cent but still exceeded the charter cap by \$37 million.

A few months later, anti-tax activist Robin Ficker petitioned for a referendum on the November ballot to eliminate the council's override power. County voters, after hearing that it would cripple government services, rejected the referendum measure by a sizable margin.

But anti-tax activists say they are becoming better organized because of widespread anger over assessments.



Tom Perez
opposed a 5.5-cent cut in the property tax.



Steven A. Silverman also voted against the rate cut.

"It's a backdoor tax increase," said Jeff Hooke, president of the Maryland Tax Education Foundation, who is trying to organize a coalition to lobby for lowering the property tax rate.

Council President Tom Perez (D-Silver Spring) and members Steven A. Silverman (D-At Large) and Howard A. Denis (R-Potomac-Bethesda), who opposed Floreen's proposal last month, say they prefer that the council fill

unmet needs in the budget before considering a broad tax cut.

"I really believe the council will stick with the current rates," said Denis, the council's lone Republican. "This is part of paying for our quality of life."

Silverman, who is preparing to run for county executive next year, said taking "\$65 million off the table" would have "a devastating impact on our schools and our social services."

Other county leaders note that overall, the average tax burden on residents, adjusted for inflation, is \$110 less than it was a decade ago.

Duncan, who submits his budget in March, remains the wild card in the debate. He has given little indication as to whether he plans to support a property tax cut.

Silverman said he hopes the council and county executive focus on targeted tax reduction for low-income residents instead of a broad cut in the tax rate.

"I am concerned about the senior citizen who is house rich and cash poor and not the multimillionaire living in a \$2 million house in Potomac," he said.